

# Disposition of Prior Year Audit Recommendations

The following audit recommendations are summarized from the Statewide Audit for Fiscal Years 1996 through 2000 and include only the recommendations not implemented in those fiscal years. The Statewide Audit includes both financial audit and single audit recommendations.

<b>Report and Rec. No.</b>	<b>Recommendation</b>	<b>Disposition</b>
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## **Department of Agriculture**

2000 Single Audit Rec. No. 1	Ensure all employees receive a timely annual performance evaluation.	Implemented.
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2000 Single Audit Rec. No. 2	Verify that withholding documentation is accurate and complete.	Not implemented. See current year Recommendation No. 1.
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## **Department of Corrections**

2000 Single Audit Rec. No. 3	Record a liability for incurred but not reported claims using an acceptable and consistent mathematical model, and obtain an understanding of the recent increases in health care costs.	Implemented.
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## **Department of Education**

2000 Single Audit Rec. No. 4	Monitor the recording of expenditures at year-end to ensure they are recorded in the proper period.	Implemented.
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**Report and  
Rec. No.**

**Recommendation**

**Disposition**

**Department of Health Care Policy and Financing**

2000 Single Audit Rec. No. 5	Complete cost allocation plans for Fiscal Years 2000 and 2001, and periodically allocate indirect costs between Medicaid and the Children's Basic Health Program.	Implemented.
2000 Single Audit Rec. No. 34	Ensure payments are made only for allowable costs under the Medicaid program.	Partially implemented. See current year Recommendation No. 38.
2000 Single Audit Rec. No. 35	Ensure adequate controls are in place over automated systems for the Medicaid program.	Partially implemented. See current year Recommendation No. 39.
2000 Single Audit Rec. No. 36	Work with the Department of Human Services to ensure all Single Entry Points are maintaining adequate files for Medicaid-eligible beneficiaries, and ensure claims are not paid for ineligible individuals.	Partially implemented. See current year Recommendation No. 40.
2000 Single Audit Rec. No. 37	Ensure that expenditures are made only to eligible providers, and require documentation of a current provider agreement and applicable provider licenses and registrations.	Partially implemented. See current year Recommendation No. 41.
2000 Single Audit Rec. No. 38	Ensure all necessary information is maintained and requirements met regarding complaints under the Medicaid Managed Care Program and the Program of All-Inclusive Care for the Elderly.	Implemented.
2000 Single Audit Rec. No. 39	Improve documentation of fraud and program integrity cases.	Partially implemented. See current year Recommendation No. 42.

**Report and  
Rec. No.****Recommendation****Disposition**

2000 Single Audit  
Rec. No. 40

Review regulations for determining the type of cost audits to be performed at long-term care facilities, evaluate the risk assessment methodology, assess the appropriateness of thresholds, and propose changes in regulations.

Implemented.

1999 Single Audit  
Rec. No. 6

Recognize and work to meet federal limits for non-benefit activity costs under the Children's Health Insurance Program.

Deferred. We will continue our follow-up in Fiscal Year 2002.

1999 Single Audit  
Rec. No. 24

Improve controls over provider eligibility.

Deferred. We will continue our follow-up in Fiscal Year 2002.

1999 Single Audit  
Rec. No. 29

Ensure that all nursing facilities receive in-depth reviews of billing practices and personal needs funds on a systematic basis.

Partially implemented. The General Assembly approved contingency-based contracting. The Department is still developing contractual language for this process, and contracts are anticipated to be completed in February 2002. We will continue our follow-up in Fiscal Year 2002.

**Report and  
Rec. No.****Recommendation****Disposition**

1999 Single Audit  
Rec. No. 30

Undertake a comprehensive review of high-risk programs that result in inappropriate payments, and modify policies and procedures to prevent payment of inappropriate claims.

Partially implemented. The Fraud and Abuse Task Force has reviewed and prioritized high-risk programs. The Department implemented new policies and procedures related to payments of inappropriate claims in April 2001. The Program Integrity Unit has developed two contingency-based Requests for Proposals (RFPs). The first RFP is for review of credit balances; this contract has been awarded and will be in place January 2002. The second RFP is for postpayment reviews; this contract is expected to be awarded and in place by April 2002. We will continue our follow-up in Fiscal Year 2002.

1999 Single Audit  
Rec. No. 31

Review and revise regulations, statutes, application materials, and provider agreements to reduce fraud and abuse.

Partially implemented. See current year Recommendations No. 38 and No. 41.

1999 Single Audit  
Rec. No. 32

Work with the Medicaid Fraud Control Unit to propose legislation that establishes anti-kickback and civil false claims statutes, and anti-unbundling regulations.

Implemented.

1999 Single Audit  
Rec. No. 35

Ensure that case files for the Children's Health Insurance Program clearly document the eligibility status for each child.

Implemented.

**Report and  
Rec. No.**

**Recommendation**

**Disposition**

1997 Single Audit  
Rec. No. 2

Improve management of accounts receivable by ensuring reconciliations are complete and performed in a timely manner and by further automating the reconciliation process.

Partially implemented. See current year Recommendation No. 3.

**Children's Basic Health Plan**

2000 Single Audit  
Rec. No. 41

The Children's Basic Health Plan Policy Board and the Department of Health Care Policy and Financing should identify options for reducing administrative layers and costs for the Children's Basic Health Plan and submit recommended changes to the General Assembly as needed.

Partially implemented. The Department is not proposing any changes at this time. It anticipates that administrative costs per child will decrease as the enrollment increases. We will continue our follow-up in Fiscal Year 2002.

2000 Single Audit  
Rec. No. 42

The Children's Basic Health Plan Policy Board should revise the eligibility rule.

Implemented.

2000 Single Audit  
Rec. No. 43

Ensure enforcement of state and federal requirements to provide documentation of alien registration numbers.

Implemented.

2000 Single Audit  
Rec. No. 44

Ensure capitation payments for the Children's Basic Health Plan are accurate.

Implemented.

2000 Single Audit  
Rec. No. 45

Work with the Department of Human Services to identify on a monthly basis instances in which children are simultaneously enrolled in the Children's Basic Health Plan and in the Medicaid program.

Implemented.

**Report and  
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2000 Single Audit Rec. No. 46	Ensure there are adequate controls over premium administration.	Implemented.
2000 Single Audit Rec. No. 47	Ensure that the new information system premium administration is adequate to meet program requirements and addresses problems with the present system.	Implemented.
2000 Single Audit Rec. No. 48	Develop and implement a mechanism to ensure the administrative contractor complies with federal requirements.	Implemented.
2000 Single Audit Rec. No. 49	Ensure applications referred between the Children's Basic Health Plan and Medicaid program are processed timely.	Implemented.
2000 Single Audit Rec. No. 50	Ensure consistent and accurate eligibility data are reflected online at Anthem and Child Health Advocates.	Not implemented. Electronic eligibility exchange between Anthem and Child Health Advocates will be complete on November 1, 2001. We will continue our follow-up in Fiscal Year 2002.

**Department of Higher Education****University of Colorado - Colorado Springs**

2000 Single Audit Rec. No. 6	Strengthen processes over fixed assets.	Partially implemented. The UCCS began efforts to better track fixed assets. We will continue our follow-up in Fiscal Year 2002.
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<b>Report and Rec. No.</b>	<b>Recommendation</b>	<b>Disposition</b>
<b>University of Colorado - Boulder</b>		
2000 Single Audit Rec. No. 51	Strengthen processes to ensure allowable costs are charged to grants within the Center for Spoken Language Research.	Implemented.
2000 Single Audit Rec. No. 52	Ensure proper authorization is obtained prior to disposition of federally funded equipment.	Implemented.
<b>University of Southern Colorado</b>		
2000 Single Audit Rec. No. 53	Should (a) Ensure that all documentation required by the Department of Education is included in the borrower's federal Perkins loan file, and (b) perform a detailed review of the federal Perkins Loan Program database (Greentree).	Part a: Partially implemented. See current year Recommendation No. 59.  Part b: Implemented.
<b>Metropolitan State College of Denver</b>		
2000 Single Audit Rec. No. 7	Improve procedures over monitoring grant expenditures.	Implemented.
<b>Western State College</b>		
2000 Single Audit Rec. No. 8	Implement a procedure whereby the amount disbursed for federal and Colorado work-study in the payroll system is reconciled monthly with the financial aid system.	Implemented.

**Report and  
Rec. No.**

**Recommendation**

**Disposition**

**Colorado School of Mines**

2000 Single Audit Rec. No. 54	Improve subrecipient monitoring.	Partially implemented. See current year Recommendation No. 62.
2000 Single Audit Rec. No. 55	Establish and document a consistent policy for determining satisfactory academic progress.	Implemented.
2000 Single Audit Rec. No. 56	Improve the documentation process for notification to lenders, and for counseling of students who are first-time borrowers and students leaving school.	Partially implemented. See current year Recommendation No. 63.
2000 Single Audit Rec. No. 57	Improve documentation of student aid files.	Implemented.

**Colorado Historical Society**

2000 Single Audit Rec. No. 9	Require that (a) all museums submit cash register tapes with revenue remittances, (b) museums explain and void sales made in error, and (c) cash overages and underages be tracked.	Part a: Not implemented. See current year Recommendation No. 10.  Parts b and c: Implemented.
2000 Single Audit Rec. No. 10	Strengthen management controls over the processing of payment voucher transactions to prevent duplicate payments to vendors, and review all 2000 expenses for duplicate payments.	Implemented.



**Report and  
Rec. No.**

**Recommendation**

**Disposition**

**Colorado Student Loan Division**

1999 Single Audit  
Rec. No. 36

Work with the State Treasurer's Office to resolve problems with the outstanding check reports.

Implemented.

1999 Single Audit  
Rec. No. 37

Continue to exercise due diligence to obtain information from the lenders on loans closed by the lender.

Partially implemented. The Division took steps to identify and resolve loans where no reporting has occurred by assigning their Compliance, Training, and Investigation Division to focus on unreported loans while performing lender audits in Fiscal Year 2001. However, we found that there are still differences between the lender's records and CSLP's records. Full implementation is planned for Fiscal Year 2002. We will continue our follow-up in Fiscal Year 2002.

**Department of Human Services**

2000 Single Audit  
Rec. No. 11

Revise the Purchasing Card Manual, and conduct routine staff training on the proper use of purchasing cards.

Implemented.

2000 Single Audit  
Rec. No. 12

Improve the audit process for the purchasing card program by (a) performing monthly reviews of transactions or cardholders, (b) documenting audit procedures, and (c) enforcing disciplinary action when necessary.

Parts a and b: Implemented.

Part c: Deferred. We will continue our follow-up in Fiscal Year 2002.

<b>Report and Rec. No.</b>	<b>Recommendation</b>	<b>Disposition</b>
2000 Single Audit Rec. No. 13	Ensure payroll expenditures are accurate.	Deferred. We will continue our follow-up in Fiscal Year 2002.
2000 Single Audit Rec. No. 14	Require documentation of supervisory approval on all time sheets for those employees eligible for overtime and shift pay.	Deferred. We will continue our follow-up in Fiscal Year 2002.
2000 Single Audit Rec. No. 15	Ensure that the Disability Determination Services Division makes payments to vendors in a timely manner.	Implemented.
2000 Single Audit Rec. No. 16	Eliminate duplicate payment and service provision systems for mental health services at the Regional Centers.	Deferred. The Department indicates it has implemented the recommendation. We will continue our follow-up in Fiscal Year 2002.
2000 Single Audit Rec. No. 58	Enforce state and federal requirements for the Food Stamp program.	Implemented.
2000 Single Audit Rec. No. 59	Update the Electronic Benefits Transfer policies to specify a time frame for cards returned due to damage or malfunction.	Implemented.
2000 Single Audit Rec. No. 60	Perform reviews of annual independent audit reports for all subrecipients as required under the federal Single Audit Act, and follow up on problems identified, as necessary.	Implemented.
1998 Financial Audit Rec. No. 12	Improve controls over fixed assets by improving oversight and communication.	Partially implemented. See current year Recommendation No. 12.

**Report and  
Rec. No.****Recommendation****Disposition**

1998 Single Audit  
Rec. No. 14

Improve the fiscal management system for federal programs.

Partially implemented. See current  
year Recommendation No. 66.

1997 Single Audit  
Rec. No. 9

The Division of Vocational Rehabilitation should (a) examine the types of services it purchases and develop a process for competitively bidding those services and (b) work with the Division of Purchasing to ensure that its new procedures comply in all respects with purchasing requirements.

Partially implemented. Concerns remain regarding amounts paid to one provider. We will continue our follow-up in Fiscal Year 2002.

**Division of Child Support Enforcement**

2000 Single Audit  
Rec. No. 61

Ensure appropriate actions are taken on child support cases.

Deferred. We will continue our follow-up in Fiscal Year 2002.

2000 Single Audit  
Rec. No. 62

Continue to work with the counties that are not in compliance with state child support regulations, and impose sanctions on those counties that have ongoing problems with compliance and that do not make good faith efforts to improve.

Deferred. We will continue our follow-up in Fiscal Year 2002.

**Judicial Department**

2000 Single Audit  
Rec. No. 17

Establish and distribute to supervisory personnel a written policy that includes detailed descriptions for the treatment of contract employees and clarification between contractual employee arrangements and salaried employee positions.

Implemented.

1998 Financial Audit  
Rec. No. 18

Consolidate bank accounts and deposit with the State Treasury's pooled account to the greatest extent legally possible.

Implemented.

<b>Report and Rec. No.</b>	<b>Recommendation</b>	<b>Disposition</b>
<b>Office of the Public Defender</b>		
2000 Single Audit Rec. No. 18	Separate the function of preparing the cash receipts log and recording the receipt on the State's accounting system, and designate a third person to account for all cash receipt numbers and review the amount recorded on the State's accounting system.	Implemented.
<b>Attorney Regulation Agencies Accounting Office</b>		
2000 Single Audit Rec. No. 19	Segregate the duties of handling cash, preparing the deposit, and maintaining the general ledger.	Implemented.
<b>Department of Labor and Employment</b>		
1999 Single Audit Rec. No. 12	Perform an annual reconciliation of federal revenue from the Department's grant accounting system to the State's accounting system.	Not implemented. See current year Recommendation No. 14.
<b>Department of Law</b>		
2000 Single Audit Rec. No. 20	Implement review procedures for the Uniform Commercial Credit Code fee payments, and refund any excess to the lenders.	Implemented.
<b>Department of Military Affairs</b>		
2000 Single Audit Rec. No. 21	Ensure that controls over accounting functions are operational so that all transactions are recorded properly at fiscal year-end.	Not implemented. See current year Recommendation No. 15.

**Report and  
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**Recommendation**

**Disposition**

**Department of Natural Resources**

1996 Financial Audit  
Rec. No. 16

Strengthen management controls over the processing and review of payment voucher transactions to prevent vendor payment errors.

Not implemented. See current year Recommendation No. 18.

**Division of Wildlife**

2000 Single Audit  
Rec. No. 22

Improve controls over license inventory by (a) reducing excess license inventories and (b) tracking voided licenses separately.

Deferred. The Division has issued an RFP to implement an online Point of Sale licensing system and plans to have the system in operation by Fiscal Year 2003. We will continue our follow-up in Fiscal Year 2002.

**Oil and Gas Conservation Commission**

2000 Single Audit  
Rec. No. 23

Ensure that all deposits are in compliance with statutory and other legal requirements that require deposits be held in public depositories.

Not implemented. See current year Recommendation No. 17.

**Report and  
Rec. No.**

**Recommendation**

**Disposition**

**Division of Minerals and Geology**

2000 Single Audit  
Rec. No. 24

Ensure that all deposits are in compliance with statutory and other legal requirements that require deposits be held in public depositories.

Deferred. The Division has transferred the majority of its certificates of deposit to eligible public depositories. However, the Division reports that there is one certificate of deposit that still needs to be transferred. We will continue our follow-up in Fiscal Year 2002.

1999 Single Audit  
Rec. No. 13

Identify discrepancies between the State Treasury's records for mined land reclamation cash deposits and the State's accounting records.

Implemented.

**Department of Personnel and Administration**

1999 Single Audit  
Rec. No. 17

Classify revenue properly for TABOR purposes.

Implemented.

**Department of Public Health and Environment**

1999 Single Audit  
Rec. No. 20

Assemble a team with appropriate representatives to define the procedures for documenting application events, vendor responses, and communicating information. The team should follow up and report on findings of the Post Implementation Review.

Partially implemented. Procedures have been defined, but the review has not yet been completed. We will continue our follow-up in Fiscal Year 2002.

**Report and  
Rec. No.****Recommendation****Disposition**

1997 Financial Audit  
Rec. No. 23

Develop a comprehensive disaster recovery plan.

Implemented.

**Health Facilities Division**

2000 Single Audit  
Rec. No. 63

Increase focus on quality of care and deficiency citing through training, supervision, and teambuilding.

Partially implemented. The Department has taken follow-up action. We will continue our follow-up in Fiscal Year 2002.

2000 Single Audit  
Rec. No. 64

Improve its oversight of employee conflicts of interest by requiring staff to complete and update their conflict-of-interest statements.

Partially implemented. The Department has taken follow-up action. We will continue our follow-up in Fiscal Year 2002.

**Department of Public Safety**

2000 Single Audit  
Rec. No. 25

Strengthen controls over the approval of credit card expenditures.

Implemented.

**Colorado State Patrol**

2000 Single Audit  
Rec. No. 26

Require its local offices to verify approvals of credit card transactions before input into the State's accounting system.

Implemented.

**Report and  
Rec. No.**

**Recommendation**

**Disposition**

**Division of Criminal Justice**

2000 Single Audit  
Rec. No. 27

Develop procedures for tracking time worked so that salary charges to federal programs are adequately supported, and prorate exception time among federal programs in the same proportion as regular salaries.

Partially implemented. The Division of Criminal Justice prorated exception time among federal programs. The Division is implementing a payroll system in April 2002 to better track its employees' actual time worked on federal programs. We will continue our follow-up in Fiscal Year 2002.

2000 Single Audit  
Rec. No. 28

Develop a schedule so that audits of community corrections vendors are completed at least every three years.

Deferred. The Division of Criminal Justice developed a two-year schedule. Audits will be current by December 31, 2001. We will continue our follow-up in Fiscal Year 2002.

2000 Single Audit  
Rec. No. 65

Ensure compliance with the Cash Management Improvement Act by making draws in accordance with the Agreement and including indirect costs proportionately in each drawdown.

Deferred. The Byrne Formula Grant was not subject to the Cash Management Improvement Act in Fiscal Year 2001. We will continue our follow-up in Fiscal Year 2002.

2000 Single Audit  
Rec. No. 66

Develop a schedule to satisfy the objectives stated in the Strategic Plan as well as in the internal policies.

Implemented.



**Report and  
Rec. No.**

**Recommendation**

**Disposition**

2000 Single Audit  
Rec. No. 67

Develop procedures to improve the accuracy of the federal Financial Status Reports.

Implemented.

**Department of Revenue**

2000 Single Audit  
Rec. No. 29

Evaluate the policies and procedures related to estimated tax payments and streamline the process.

Implemented.

2000 Single Audit  
Rec. No. 30

Ensure that earned income credits are accurate by (a) testing edits and (b) processing only complete returns or evaluating methods of ensuring that accurate credits are claimed should the taxpayer fail to submit the required schedule.

Part a: Implemented.

Part b: Not implemented. See current year Recommendation No. 32.

2000 Single Audit  
Rec. No. 31

Develop written policies and procedures for processing and reviewing estate tax installment payments.

Implemented.

2000 Single Audit  
Rec. No. 32

The Department of Revenue's Tax Conferee Section should improve its tabulation process for recording revenue, payables, and receivables in the State's accounting system by (a) requiring that schedules prepared for determining receivable and payable tax accruals be reviewed by a supervisor and (b) linking detailed spreadsheets to minimize the risk of carrying over inaccurate amounts from the detailed schedule.

Part a: Partially implemented. While the schedules are now subject to supervisory review, we continue to find errors. We will continue our follow-up in Fiscal Year 2002.

Part b: Implemented.

**Report and  
Rec. No.**

**Recommendation**

**Disposition**

2000 Single Audit  
Rec. No. 33

Improve its existing wage withholding accrual methodology so that it is consistently accruing taxes through June 30.

Deferred. There is no current year impact. The recommendation will be evaluated in light of GASB Statement No. 34 in Fiscal Year 2002.

**Department of State**

1999 Single Audit  
Rec. No. 21

Strengthen the controls over financial transactions by performing and documenting timely reconciliations for property and equipment.

Deferred. The Department attempted to reconcile its fixed assets in Fiscal Year 2001; however, it incorrectly recorded additions to fixed assets of about \$103,000. We will continue our follow-up in Fiscal Year 2002.

**Office of the State Treasurer**

2000 Single Audit  
Rec. No. 68

Ensure that the State is in compliance with the Cash Management Improvement Act and that transfers of funds are made in a timely manner between federal and state agencies.

Implemented.

2000 Single Audit  
Rec. No. 69

Review the current U. S. Treasury - State Agreement to ensure that only programs subject to the Cash Management Improvement Act are included in the Agreement.

Implemented.

**Report and  
Rec. No.**

**Recommendation**

**Disposition**

**Department of Transportation**

1999 Single Audit  
Rec. No. 22

Transfer custody of the credit card reconciliation program to the Information Technology Division and maintain it in accordance with the Department's procedures.

Partially implemented. Programming efforts for this activity are in process. These efforts have been segregated into phases. Phase I is currently being tested and Phase II is scheduled for completion by June 30, 2002. We will continue our follow-up in Fiscal Year 2002.

1998 Single Audit  
Rec. No. 18

Train project engineers in the purpose and requirements of the Form #280 and require its regional Equal Employment Opportunity (EEO) representatives to take an active role in monitoring the quantity, quality, and timeliness of forms completion.

Implemented.